

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

ATTORNEY GENERAL'S THIRD SET OF DOCUMENT AND
INFORMATION REQUESTS

D.T.E. 06-54

Respondent: Theodore Poe, Jr.

Date: September 28, 2006

Information Request AG-3-1

- Q. Refer to Exhibit ("Exh.") TEP-1, pages 13-14 and Exh. TEP-4. Please explain, in detail, how the Company would have provided safe, reliable service to its Cape Cod customers had the Company experienced Design Day conditions on Cape Cod during 2004/05 and 2005/06.
- A. As discussed in detail in Exhibit KED-4 (at page 2-6 through 2-7), KeySpan has supplemented the use of its South Yarmouth LNG facility over the past few years with two portable LNG vaporizer units located at the eastern extremities of the system (i.e., Chatham and Eastham, MA). The portable LNG units in Chatham and Eastham have a maximum hourly output of 250 MMBtu/hour and 45MMBtu/hour, respectively. The use of these units, along with sufficient design day capability, provided the Company with the flexibility to withstand forecasted design day conditions on the Cape had those conditions occurred during 2004/05 and 2005/06.

Specifically, the need analysis discussed in Exhibit TEP-1 and set forth in Exhibit TEP-4 shows that on the forecasted Design Day for the 2004/05 peak season, there was a peak-hour need, but there was no shortfall in design-day capacity. This is shown in Exhibit TEP-1, in the column entitled "Table 2-1 Requirement," which presents the amount of capacity needed to meet customer requirements on the design day (none in 2004/05). As indicated by the question, there was a gap between the hourly flows allowed under contract with Algonquin and the projected peak-hour flow requirement. This gap is designated in the column entitled "Remaining Hourly Need" and was 221 MMBtu/hr in 2004/05. Because the Company had sufficient design day capacity under contract, the only issue for the Company would have been the need to negotiate some temporary flexibility on the hourly flow restrictions from Algonquin in the event that design day conditions occurred. Although the Company's experience is that Algonquin will assist to its maximum ability in times of system stress, the Company does not have a contractual right to this flexibility, and therefore, cannot count on having

this flexibility as the gap grows in concert with system load growth. Accordingly, the Company is seeking to remedy the situation through the contract proposed in this proceeding.

Similarly, Exhibit TEP-4 shows that the Company maintained the flexibility necessary to meet design day conditions in the 2005/06 peak season. Specifically, Exhibit TEP-4 incorporates a reduced reliance on the Chatham and Eastham LNG units, with only 90 MMBtu/hour factored into the analysis for the two units, which have a maximum capability of up to 295 MMBtu/hour. The Company's plan, through this filing, is to reduce its reliance on these two units because the optimal system design would not have the Company relying on the temporary vaporization units to their maximum capability on a permanent basis. However, for the 2005/06 peak season, the availability of the additional hourly capability from the LNG units would have reduced the "Remaining Hourly Need" listed as 586 MMBtu/hour for 2005/06 to 381 MMBtu/hour, which is a level comparable to the gap existing in 2004/05.

In addition, in preparation for the winter of 2005/06, Algonquin agreed to provide up to 13,000 MMBtu/day of capacity on the G Lateral on an interim basis, which will provide the Company with a bridging resources until the commencement of service under the contracts proposed in this docket. With the combination of additional Algonquin capacity and the LNG vaporizers on the east end of the Cape, the Company was prepared for the forecasted design day for 2005/06.